

HOUSE BILL REPORT

HB 1074

As Reported by House Committee On:
Community & Economic Development & Trade

Title: An act relating to microenterprise development.

Brief Description: Establishing the microenterprise development program.

Sponsors: Representatives Morrell, Campbell, Appleton, Chase, Green, Darneille, Ormsby, O'Brien, Kelley, Moeller, Goodman and Flannigan.

Brief History:

Committee Activity:

Community & Economic Development & Trade: 1/29/07, 2/1/07 [DP].

<p>Brief Summary of Bill</p> <ul style="list-style-type: none">• Creates the Microenterprise Development Program.
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HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: Do pass. Signed by 8 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Chase, Haler, Rolfes and P. Sullivan.

Staff: Tracey Taylor (786-7196).

Background:

Depending on the program, microenterprises are usually defined as small businesses that employ 10 or less, or five or less employees. Microenterprise development programs are usually tailored to meet the needs of specific target groups such as welfare recipients, the working poor, rural businesses, or individuals or business sectors that for various reasons lack access to credit. Microenterprise development uses a variety of strategies, including poverty alleviation, human development, and economic development to assist these smallest of businesses. There are a variety of types of microenterprise partners including community development corporations, loan funds, community action agencies, women's organizations,

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community development banks and credit unions, housing and social service programs and all levels of government.

Summary of Bill:

The Microenterprise Development Program (Program) is created and will be administered by the Department of Community, Trade and Economic Development (DCTED). The intent of the Program is to assist microenterprises in job creation by increasing the training, technical assistance, and financial resources available to microenterprises.

The DCTED shall provide organization support to a statewide microenterprise association (Association). The Association will be a nonprofit entity with microenterprise development organizations as members. The Association will serve as an intermediary between the DCTED and the local microenterprise organizations. In addition, the DCTED will contract with the Association for the delivery of services and the distributions of grants.

The DCTED must provide funds for capacity building for the Association and for microenterprise development organizations throughout the state. A microenterprise development organization is defined as a nonprofit development organization, a nonprofit social services organization, or other locally operated nonprofit entity that provides services to low-income entrepreneurs. The DCTED must identify and facilitate the availability of state, federal, and private sources of funds to enhance the development of microenterprises in the state.

Along with the Association, the DCTED shall develop the grant criteria for the distribution of grant funding to microenterprise development organizations. This criteria may include: the geographic representation of all regions of the state, including urban and rural areas; the ability of the microenterprise development organizations to provide business development services in low-income communities; the scope of services offered by the microenterprise organization as well as the level of efficiency in the delivery of services; the ability of the organization to monitor the progress of its customers and identify technical and financial assistance needs; the ability of the organization to work with other organizations, public entities, and financial institutions to meet the technical and financial needs of its customers; and the sufficiency of operating funds for the microenterprise development organization. The Association and any microenterprise development organization receiving grant funds must raise and contribute an amount equal to 25 percent of the Program funds received. These matching funds may come from private foundations, federal or local sources, financial institutions, or any other sources other than funds appropriated by the Legislature.

In addition, the DCTED may provide loans to microenterprise revolving loan funds to make microloans exclusively to low-income microentrepreneurs. The DCTED may also provide loans to a guarantee fund from which local microenterprise development organizations may guarantee loans made by financial institutions to microenterprises. The guarantee fund may be operated by the Association or any other private or public entity the DCTED determines has the requisite expertise.

An annual accounting and report from the Association is required. It must include outcome measures required by the DCTED.

The DCTED is authorized to adopt any rules necessary to implement this act.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony:

(In support) Microenterprises are businesses with five or fewer employees with less than \$35,000 in capital. According to the U.S. Census Bureau and the U.S. Department of Commerce, there are 428,667 microenterprises in Washington, accounting for 17 percent of all employment in the state. Currently, there are approximately 20 microenterprise development organizations in this state that provide business training, technical assistance, and access to credit. Historically, microenterprise development organizations create new business, generate jobs, and advance self-sufficiency through self-employment. Washington's microenterprise development organizations each serve between 125 and 300 clients per year. Currently, this state lacks sufficient capacity to assist the number of microenterprises in the state.

Most microenterprises do not meet the eligibility standards for assistance by traditional financing institutions as well as by the U.S. Small Business Administration due to size, credit or experience. In addition, most financial institutions do not lend in the capital range needed by microenterprises which is \$250 to \$35,000. Washington's microenterprise development organizations face sustainability challenges, the need for pooled resources, the need to maximize capacity and reach scale, and need state-level funding to help in leveraging resources.

Research supports the positive impact microenterprise development organizations have on disadvantaged populations by creating new businesses, new jobs, and assisting individuals in becoming self-sufficient. Twenty-seven states with microenterprise development organizations have enacted legislative policy and fiscal support for training, technical assistance, and lending. This bill would leverage federal funds and make training, technical support, and financing available to more low-income entrepreneurs, resulting in business growth, neighborhood economic development, and job creation.

(Opposed) None.

Persons Testifying: Representative Morrell, prime sponsor; Teresa Lemmons, Metropolitan Development Council; Andrea Dimond, Washington Assistive Technology Foundation; Kerri Rodkey, Spokane Neighborhood Action Program; and Lisa Smith, Enterprise for Equity.

Persons Signed In To Testify But Not Testifying: None.